

Dow Jones News Wires

## **Shariah Capital To Unveil Islamic Funds In 07**

12 December 2006

Dow Jones International News

(c) 2006 Dow Jones & Company, Inc.

SINGAPORE (Dow Jones)--The soon-to-go-public Shariah Capital Inc. will unveil a hedge fund and fund-of-fund products early next year and will be working to bring Islamic bonds from Western borrowers to the market, a senior company official said in an interview.

It will only be the second Shariah-compliant company to do so, following the Dubai-based investment company Tejoori Ltd. in March.

"We are targeting for a first year as a public company to focus on sukuk. We have the hedge fund products already built so you will see a variety of hedge fund products coming to the market," said Eric Meyer, executive chairman of Connecticut-based Shariah Capital. Such products would include long/short and market neutral funds, he said.

Shariah Capital - a provider of Islamic financial products and services - will Wednesday list its shares on London's Alternative Investment Market.

Meyer said the six-year old firm, a division of Meyer Fund Management LLC, will likely come out with a Shariah-compliant Real Estate Investment Trust, exchange-traded funds and real estate funds next year, too.

Most of the products will be launched with a partner firm and targeted at institutional investors in the Gulf and Southeast Asia, as well as at large European institutions, notably Swiss banks, which hold a lot of Muslim cash.

"Right now, they don't have the diversification and depth of products they would like to offer their customers," Meyer said.

The Gulf and Asia are home to a large portion of the world's estimated 1.5billion Muslims who are increasingly looking to put their money to work in ways that are compatible with their religion.

Among the fundamentals of such investing is a ban on interest payments and avoidance of speculation, deemed akin to gambling. Tangible assets should underlie all transactions, meaning traditional short-selling - intrinsic to hedge funds - is taboo.

Many financial firms are starting to wake up to serving the Muslim community, but the hunger for fresh products is still acute. At the same time, many borrowers outside the Islamic world are looking to tap into the piles of unused cash as an alternative to conventional markets.

"It's a no-brainer to find the capital of the Gulf and marry that with Fortune 1000 companies," Meyer said.

Texas-based East Cameron Partners in June sold the first U.S. sukuk and many bankers expect more U.S., European and Asian borrowers to do the same in coming years in the search for cash for expansion and infrastructure.

For its part, Shariah Capital will target Western energy firms whose activities are best understood by the oil-rich Middle East to either sell sukuk or to restructure themselves as Shariah-compliant companies.

### **In-House Shariah Expert To Speed New Products**

Shariah Capital raised around US\$5.6 million from the initial public offering of just shy of 5.6 million shares at US\$1 each. That represents 15% of the share capital with the rest held by Meyer, Managing Director Joseph Gau and Shaykh Yusuf Talal DeLorenzo, the company's chief Shariah officer.

"It was important to list on an exchange that was focused not just on Western finance but to list in a city that was really focused on expanding into Islamic finance," Meyer said.

"The best thing in the world is to go public and to have the cash in the kitty to focus on some core elements...to ramp up the business."

The firm believes it will be a step ahead of the competition with its October appointment of DeLorenzo as the firm's in-house Shariah expert - the world's first so-called CSO - who will be able to quickly usher in Shariah assessments of Islamic products.

Shariah-compliant products typically get a sign-off from a Muslim scholar to provide customers with the comfort that the products are acceptable to their faith.

However, that process is often slowed because the dearth of scholars - reckoned at only about 20 globally - are spread too thinly across a burgeoning Islamic financial market.

In addition, some don't understand the complexities of the Western financial instruments, which are increasingly being aped by the Islamic financial world.

"They don't have PhDs in economics per se and even if they did you need the visceral experience of working in the trenches to understand the actual products," Meyer said. For example, he noted that it was possible to create a Shariah-compliant hedge fund.

Hedge funds are still somewhat controversial in the Muslim world and even many conventional investors consider them risky.

"That is incorrect," said DeLorenzo. "We have a learning curve...but the best Shariah minds on the market today, have worked on the problem and have developed a number of different conceptual solutions."

DeLorenzo will continue working with a number of other organizations, including Dow Jones Indexes, a part of Dow Jones & Co., which also owns Dow Jones Newswires.

-By Karen Lane, Dow Jones Newswires; 65 6415-4043; karen.lane@dowjones.com

-Edited by Paul Baylis [ 12-12-06 0729GMT ]